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ABSTRACT

The purpose of this paper is to develop a process model for identification and assessment of employee job performance, through motivation contracting. The model integrated various components of expectancy theories of motivation and performance contracting and is based on humanistic assumptions about the nature of people. More specifically, the proposed model provides information about the compatibility of individual and organizational goals or outcomes, the employee's perception of the relationship between organizational and individual goals, the salience of individual outcomes, the changing perception of outcomes, and the differences between outcome hierarchies within given performance units. The implementation of mutual accountability systems, or contracts, between managers and employees may create greater trust between management and labor and thus may result in greater productivity. (KS)

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A Motivation Contract Model of Employee Appraisal

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Characteristics of a Motivational Contract Model of Employee Appraisal

Heneman and Schwab have stated, "A central concern of industrial relations is the identification and measurement of factors associated with individual differences in employee job performance."[1] The purpose of this paper is to develop a process model for identification and assessment of employee job performance through motivation contracting. The model integrates various components of expectancy theories of motivation and performance contracts and is based on humanistic assumptions about the nature of people.

A humanistic approach to employee appraisal is based on the primary assumption that people want to progress. Rogers has said,

> It has been my experience that persons have a basically positive direction. And what are these directions in which they tend to move? The words which I believe are most truly descriptive are words such as positive, constructive, moving toward self-actualization, growing toward maturity, growing toward self-actualization.[2]

People constantly strive to achieve their fullest potential. An assumption that people are self-actualizing has an important implication for a model of accountability. The assumption implies people are motivated to achieve. But people are not necessarily motivated to achieve the same outcomes or the same level of outcomes. Therefore a model of accountability should be able to ascertain which individual outcomes are perceived as valuable and which individual outcomes are perceived as less valuable.

In addition the model should be able to ascertain which individual outcomes or goals are compatible with organizational outcomes and if individuals perceive a relationship between their own goals and organizational goals.

The model should provide periodic information about an individual's changing perceptions of outcomes and outcome relationships. Information about an individual's short-term and long-term goals and information about an individual's perception of the relationship between personal goals and organizational goals is essential to an adequate model of accountability.

A second humanistic assumption, which should be reflected in a model of accountability, is that people are choice-makers. People make discriminatory and discretionary choices about their behaviors. Choices are based on individual frames of reference and reflect something about an individual's perception of the environment. If the uniqueness of each person's frame of reference is accepted then a model of accountability will allow for incorporation of some indicators of divergent choices in a work environment. For example, a humanistic model would expect employees within the same work environment to make different choices about individual goals or paths to attainment of goals. A humanistic accountability model would facilitate gathering information about individual differences in choice making because individual differences in the level of individual outcome attained, difficulty of path to level of outcome attained, or a combination of both factors could be accounted for.

The implications of such humanistic assumptions on a model of accountability are numerous. One critical implication is that the model must foster a trust relationship. Trusting relationships are based on some degree of mutual vulnerability. Employees have traditionally been vulnerable to organizational contingencies. Employees were held and are held accountable to their managers for their performance. Vulnerability is unbalanced in the typical employee-manager relationship. However, a relationship that fosters mutual accountability may also create mutual, or more equitable degrees of, vulnerability and thereby contribute to the possibility of greater trust.

A by-product of a trust relationship is high performance. Haney suggests that, "by and large high trust tends to stimulate high performance."[3] Haney questioned over 1,200 supervisors and found that they feel, "a subordinate generally responds well to his supervisor's genuine confidence in him. He tries to justify his boss's good estimate of him. And, axiomatically, high performance will reinforce high trust."[4] The trust cycle Haney describes is manifest in a superior-subordinate relationship, but the principle seems equally operative in horizontal relationships.

A second implication, since people's choices appear to fluctuate, is that people learn from their environment. People pick up clues about what paths are best to obtain their goals and their behavior reflects those choices. A humanistic approach to employee accountability should be based on the assumption that people are self-motivated toward positive outcomes chosen from the perceived outcomes or goals of a given environment.

The model proposed in this paper provides information about the compatibility of individual and organizational goals or outcomes, the employee's perception of the relationship between organizational and individual goals, the salience of individual outcomes, the changing perception of outcomes and outcome relationships, and the difference among outcome hierarchies within a unit.

The Motivation Component of a Process Model of Employee Appraisal

Managers need some means of determining an individual's motivational state in regard to certain organizational goals or outcomes. From an accountability point of view this information would be useful in determining the extent to which a person should be held accountable for the attainments of others. Expectancy theories of motivation provide one means for ascertaining information about individual states of motivation. Wanous has

described expectancy theory as,

> basically a rational model of how individuals develop preferences and make choices. The theory states how cognitive (instrumentality) and affective (valence) components of an individual's environment combine to yield an index of overall feeling about a referent object or course of action.[5]

The theoretical approach utilized in the development of a humanistic model of employee accountability is based on "job effort" models of expectancy theory. Mitchell and Nebeker offer that,

> The job effort model contends that one exerts a certain amount of effort based on three factors: (a) the degree to which effort is seen as leading to good performances, (b) the degree to which good performance is instrumental for the attainment of some outcomes, and (c) the evaluation of these outcomes.
>
> Symbolically, $W = E(E_i = I^n I_i V_i)$ where
>
> W = amount of work (effort),
> E = expectancy, i.e., the degree to which effort leads to successful performance,
> I = the instrumentality of performance for the attainment of the ith outcome,
> V_i = the valence or importance of the ith outcome, and
> N = the number of outcomes.
>
> Thus, one works hard if (a) he thinks his effort will lead to good performance (E) and (b) he believes that good performance will lead to valued outcomes ($E_i = E I^n I_i V_i$).[6]

Numerous modifications have been made to the basic job effort formula; one of which appears to represent a significant addition. Dulany[7] and Fisbein[8] argue that behavior is at least partially determined by the surrounding social environment. Their conclusion is that not only do people behave in order to achieve highly valenced outcomes but people also behave in order to meet the expectations of others.

> Therefore, effort will be predicted both with and without the inclusion of an expectation measure (e.g., to what extent do your peers expect you to spend time on academic activity?). The revised model is $W = (E_i = I^n I_i V_i) + Ep + Ef$, where
> Ep = expectations of peers
> Ef = expectations of faculty[9]

Ways of measuring job effort variables differ considerably, therefore a few samples for each variable follow. Types of survey measures and examples of response items are also provided.

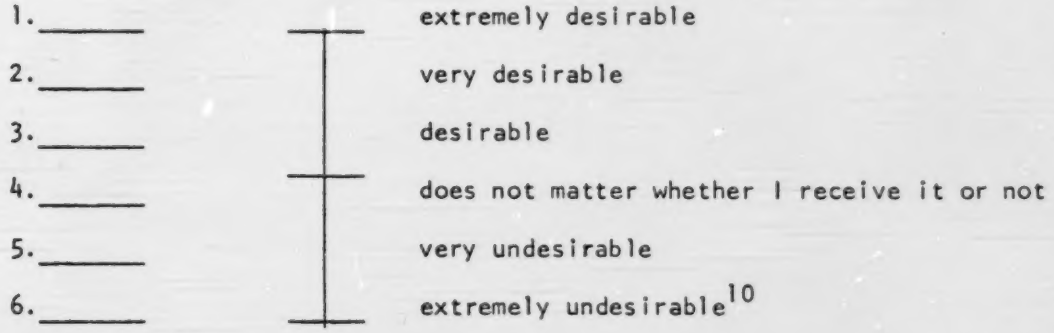
Outcomes. Selection of outcomes normally associated with working in a given environment can be accomplished through a survey of a sample population to determine what outcomes are perceived as being related to performance or satisfaction. Some researchers hypothesize that potential outcomes are related to performance and then utilize these outcomes in the investigation of valences. Managers should either solicit employee perceptions of outcomes or devise a list of outcomes based on their own experience.

Valence of Outcomes (V). An essential assumption of expectancy theory is that people have a goal hierarchy. The valence component of the theory measures the attractiveness of specific outcomes to a given individual. Methods for determining the valence of outcomes vary, but usually subjects are asked to rank order a series or list of outcomes, or subjects are asked to respond to a Likert-type scale for each outcome. Galbraith and Cumming utilized a graphic rating technique which incorporated both rankings and scale responses and listed six outcomes presented to each subject. Their subjects were presented with the following:

Listed below are several things which you could receive in connection with your job.

(a) You could be popular and accepted by the men with whom you work.
(b) You could receive an increase in pay.
(c) You could receive the support and consideration of your immediate supervisor.
(d) You could receive a promotion.
(e) You could receive greater fringe benefits, vacation time, pensions, etc.
(f) You could be given a reduced work load resulting in more free time.

1. Rank the above items in the order which you prefer them. Rank them by placing the underlined word in the spaces provided.
2. Draw lines from the word to the scale indicating how much you prefer these outcomes.



[10]

When Likert-type scales are used they are generally seven, nine, or eleven point scales. The purpose of using scale responses is to determine a numerical estimate for each outcome. Sometimes subjects are asked to rate the degree to which obtaining or maintaining a high level of each outcome is important and pleasant. Using two Likert-type scales, a valence estimate is based on the mean of the two scores.

Expectancy (E). Expectancy was defined previously as the belief that one's efforts lead to performance. Pritchard and Sanders have stated that, "the E component carries a great deal of weight in calculating predicted effort since the sum of all V-I (valence - instrumentality) products is multiplied by the single value of E."[11] The authors then propose using three

items to measure E rather than the standard procedure of using one item. Matsui and Terai[12] also utilize a three item measure of expectancy. The following example of an expectancy item and response alternatives is representative of response items normally utilized. Matsui and Terai presented insurance salesmen with the following hypothetical situation:

> Let us consider that you have a potential customer. Besides the fact that this person does not yet have an insurance policy, from the point of view of incomes, family situation, etc., he seems to be a certainty to take out a policy. What would you estimate to be your own likelihood of signing this person up without the introduction of an influential person?[13]

The authors explain that,

> The response alternatives included "completely certain," "very promising," "fifty-fifty," "rather difficult," and "completely hopeless." It was assumed that the more confidence the subjects had in their sales ability, the more strongly they would believe that their efforts led to performance and hence the higher their expectancy.[14]

Matsui and Terai included two other expectancy items and scored the response alternatives from four to zero. The mean score of the three items constituted the expectancy score for each subject.

Instrumentality (I). Instrumentality is defined as an individual's belief that a given performance will be instrumental in attaining a specific outcome. It reflects a perceived relationship between performance and outcomes. Instrumentality measures ascertain the extent to which a person perceives that performing a first level outcome will lead to accomplishment of second-level outcomes. For example, after a employee has responded to whether or not his/her effort will lead to promotion (expectancy), the instrumentality factor is determined by having the same employee estimate the degree to which obtaining promotion detracted from or contributed to the possibility of achieving each valenced outcome.

This factor is generally determined by using Likert-type scales with positive and negative values. However, Pritchard and Sanders, working with Post Office employees, utilized a "chances in ten" method. Their first instrumentality item read, "The chances are _____ in ten that learning the routing system will result in gaining the admiration and respect of my fellow workers."[15] Gaining respect and admiration was one of fifteen valenced outcomes identified through interviews. The same item response was solicited for each outcome.

The basic formula for predicting individual effort or motivation is $W = E(E_i = I^n I_i V_i)$. A relatively reliable indication of a person's effort can be obtained from this formula. The expectancy score of an individual, times the sum of the mean of the products of the valence measure, times the instrumentality measures for each outcome equals individual effort.

Elements of expectancy theories of motivation are included as a procedure in a motivation contract model of accountability for two reasons. First, and perhaps most importantly, expectancy theory provides a means for gathering information about employees motivation toward achieving certain outcomes. In addition to providing information about an employee's perceptions of instrumental relationships between first and second level outcomes, the theory provides a means of gathering information about an employee's belief that his/her effort will lead to performance. An employee who does not believe his/her efforts will lead to promotion will not be motivated toward promotion.

The second reason for inclusion of elements of expectancy theory of motivation is that the elements are quantifiable. Data can be gathered as evidence, by either manager or supervisors, which indicates each employee's motivation to achieve specific organizational goals or outcomes.

A Motivation Contract of Employee Accountability

The model described here involves several interrelated steps or procedures and is designed for use in organizations. The model reflects humanistic assumptions previously discussed and is designed to encourage equal participation between managers and employees in the accountability process.

The core of this model is expectancy theory and the theory's procedures for gathering information about motivational variables. The result of this approach is the formalization of accountability processes which have generally been informal, i.e., implicit psychological contracting.

Preparatory Procedures

The discussion of expectancy theory focused on procedures for obtaining information about employees (the same procedures may be utilized to gain information about managers and supervisors). A manager committed to a humanistic model of accountability accepts the reality that each employee in the unit may have different first and second level outcomes and may perceive instrumental relationships differently. Recognition of these differences requires that the manager engage in formal or informal contractual negotiations with each employee so that individualized accountability guidelines and procedures can be structured which are consistent with organizational goals and objectives.

Sometime prior to the beginning of the fiscal year the management or team of managers should either hypothesize a list of possible outcomes or interview employees in order to obtain a list of valenced outcomes. Then the manager should utilize instruments for measuring expectancy, instrumentality, and valences. The information gleaned from these measures may then be utilized as the basis for contract negotiations.

Four general purposes should be accomplished at the initial meeting between employee and manager. First, the manager should communicate what the goals of the organization are and what is expected from the employee toward meeting those goals. Manager and employee should come to consensus on expected accomplishments for the year. If the organizational goals revolve around production quotas and quality control a contract should be made that reflects each employee's performance toward those goals. Each employee should be provided the opportunity to weight the organizational goals toward which he/she will direct the most effort. This rating should not contradict or be inconsistent with an organizational hierarchy of goals but should represent the best compromise between manager and employee member.

The manager should use this meeting to talk about information gathered from motivation measures. The manager might attempt to correct misperceived instrumentalities, reinforce a highly valenced outcome, or strengthen an expectancy. For example, an employee might contract to have his/her overall evaluation based on a sixty percent evaluation of job performance. However, valence measures obtained by the manager indicate job performance is not highly valenced as an outcome by that employee; rather being popular and accepted by peers is highly regarded. Instrumentality measures, used by the manager, indicate that the employee perceives an instrumental relationship between job performance and promotion. Thus the manager might conclude the sixty percent weighing reflects the employee's perception of how to get promoted but is inconsistent with the employee's personal goal hierarchy. The manager can then encourage the employee to reduce the weighting given to job performance and increase the weighting of peer respect. The result would be to direct the employee's efforts toward a highly valenced outcome and simultaneously increase the possibility that the employee might perceive a strengthened relationship between peer respect and promotion.

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The second general purpose of the meeting should be to determine what methods will be used to evaluate an employee's performance. Employees may devise their own methods for evaluation or employees and the manager may devise instruments or methods that will be used by the organization. Procedures and instruments for evaluation should be mutually agreed upon by the manager and employee at the initial meeting prior to the beginning of the fiscal year.

Employee performance may be evaluated by supervisor evaluation, peer evaluation, self-evaluation, or combinations of various appraisal methods. When an employee elects to emphasize job performance in the contract with the division and manager, the burden of proof falls on the employee to provide evidence of good work. Job performance appraisal forms should be devised and utilized to gather evidence about effective performance.

The third purpose of the meeting should be to determine how evidence of performance is to be submitted. The manager may wish to meet with each employee to discuss evidence of good work, etc., or may accept written evidence without a meeting. The manager and employee should also discuss which instruments or appraisal forms are required for use and which may be used to provide additional but optional information.

The fourth purpose should be to discuss the criteria against which evidence of performance will be compared. The difficulty of determining performance standards is obvious. The manager and employees should determine, as a unit, standards for job performance and other goals. For example, the unit may decide that maintenance of production quotas is acceptable as evidence of average performance. Each unit within the organization may develop its own standards; however, organizational standards may also be developed jointly, among all

members of a division or unit. Cooperation between manager and employee is essential in determining performance evidence to prove unit accountability, and employees must support the standards or they might hamper evidence-gathering attempts.

The initial meeting should result in a mutual understanding of the goals of the employee and the organization, the goals toward which the employee will direct his or her greatest efforts, the means of submitting evidence of performance, and the criteria against which evidence will be compared.

Certainly organizations have divergent authority structures; however the procedures just outlined can be implemented within a number of such structures. For example, an organizational appraisal committee can perform the functions of the manager, and the manager can establish a contract with each member of the appraisal committee. The procedures do not suggest a superior-subordinate relationship. They suggest a relationship in which employee and management work together to develop a means for indicating accountability that will satisfy both parties as well as other units within the organization.

Several potential advantages may accrue from utilization of the motivation contract model of job appraisal. Employee participation in the accountability process may create greater trust between management and labor which subsequently may result in greater productivity.

Data gathered through expectancy measures may enable managers to identify areas of potential conflict by providing information about incompatible organizational and individual goals. Data may also be utilized to develop communication strategies promoting increased expectancies and strenghtening perception of instrumental relationships.

Footnotes

[1] Herbert G. Heneman and Donald P. Schwab, "Evaluation of Research on Expectancy Theory Predictions of Employer Performance," Psychological Bulletin, 78 (July, 1972), 1.

[2] Carl R. Rogers, On Becoming a Person: A Therapist's View of Psychology (Boston: Houghton Mifflin Company, 1961), pp. 26-27.

[3] William V. Haney, Communication and Organizational Behavior (Homewood, Illinois: Richard D. Irwin, Inc., 1967), p. 12.

[4] Ibid.

[5] J. P. Wanous, "Occupational Preferences: Perceptions of Violence and Instrumentality and Objective Data," Journal of Applied Psychology, 5 (1972), 154.

[6] Terence R. Mitchell and Delbert M. Nebeker, "Expectancy Theory Predictions of Academic Effort and Performance, " Journal of Applied Psychology, 57 (1973), 61.

[7] D. E. Dulaney, "Awareness, Rules, and Propositional Control: A Confrontation with S-R Behavior Theory," in D. Horton and T. Dixon, Verbal Behavior and General Behavior Theory (Englewood Cliffs, N. J.: Prentice-Hall, 1968).

[8] M. Fishbein, "Attitude and the Prediction of Behavior," in M. Fishbein, Readings in Attitude Theory and Measurement (New York: Wiley and Sons, 1967).

[9] Mitchell and Nebeker, p. 62.

[10] J. Galbraith and L. L. Cummings, "An Empirical Investigation of the Motivational Determinants of Task Performance: Interactive Effects Between Valence-Instrumentality and Motivation-ability," Organizational Behavior and Human Performance, 2 (1967), 249.

11 R. D. Pritchard and M. E. Sanders, "The Influence of Valence, Instrumentality, and Expectancy on Effort and Performance," Journal of Applied Psychology, 57 (1973), 57.

12 T. Matsui and T. Terai, "A Cross-Cultural Study of the Validity of the Expectancy Theory of Work Motivation," Journal of Applied Psychology, 60 (April, 1975), 263-265.

13 Ibid.

14. Matsui and Terai, p. 264.

15 Mitchell and Nebeker, p. 63.

16 Pritchand and Sanders, p. 57.